

# CABINET

Agenda Item: 8

**Ward:** All

**Portfolio:** Finance

**Report Author(s):** Corporate Finance  
/ Cllr Parham

**Meeting Date:**  
7 November 2016

**SUBJECT: MTRS Budget Monitoring 2016/17 – Quarter 2**

<b>Report Sign off</b>	<b>Seen by:</b>	<b>Name</b>	<b>Date</b>
	Legal	N/A	
	Finance	Duncan Moss	24 October 2016
	Procurement	N/A	
	Group Manager	GMG	24 October 2016
	Portfolio Holder	Cllr Parham	24 October 2016
	Ward Member(s)	All	
<b>Summary:</b>	The report summarises the forecast outturn position of the Council's Medium Term Resource Strategy for the 2016/17 financial year, based on Quarter 2 projections.		
<b>Recommendation:</b>	<ol style="list-style-type: none"><li>1. Cabinet is recommended to note the contents of this report, specifically:<ol style="list-style-type: none"><li>a) The projected <u>Revenue</u> outturn position for 2016/17 (Section 4 + Appendices 1a and b)</li><li>b) In-Year Virement Summary (Section 5 + Appendix 2)</li><li>c) The projected levels of Reserves (Section 6)</li><li>d) The projected <u>Capital</u> outturn position for 2016/17 (Section 7 + Appendix 3)</li><li>e) Delivery of the 2016/17 MTRS Savings proposals (Section 8 + Appendix 4)</li><li>f) The Aged Debt Analysis (Section 9 + Appendix 5a &amp; 5b)</li><li>g) The Council Tax and National Non-Domestic Rate Collection Summary (Section 10).</li><li>h) Summary Treasury Management position (Section 11).</li></ol></li><li>2. Cabinet is recommended to vire the following under spends to supplement the contingency budget:<ul style="list-style-type: none"><li>• £9,500 Legal services Civica provision no longer required</li><li>• £85,290 Microsoft licences now being paid from Capita investment pot.</li></ul></li></ol>		

<b>Direct and/or indirect impact on service delivery to our customers and communities:</b>	The financial health of the Council may impact on all priorities when the Council needs to make funding decisions for future years.
<b>Legal Implications:</b>	None as a direct result of this report.
<b>Financial Implications:</b>	<p>Any variance against the agreed budget will impact on the Council's general balances. The Council's financial position will be constantly reviewed to ensure its continued financial health and delivery of excellent Value for Money.</p> <p>The report indicates a projected gross Revenue budget variance of £1,013k, within initial carry forward requests identified of £397k, leaving a net budget variance of £616k.</p> <p>The forecast budget variance against the Capital Investment Programme is £-269k. This is due to identification of alternative sources of funding being identified and that a number of approvals span across the MTRS period.</p>
<b>Value for Money:</b>	The Medium Term Resource Strategy and budget monitoring process are fundamental elements in the Council's ability to demonstrate and achieve value for money in its operations.
<b>Equalities Implications:</b>	None as a direct result of this report.
<b>Risk Assessment and Adverse Impact on Corporate Actions:</b>	<p>General Fund balances are forecast to remain relatively strong. However Members will be aware that the Council continues to face a financially difficult and uncertain future.</p> <p>Robust monitoring procedures enable officers to highlight major financial risks on a timely basis to incorporate in the report, and officers are already working with the Cabinet to address budget pressures going forward.</p>
<b>Scrutiny Recommendation (if any)</b>	N/A

## 1. INTRODUCTION

1.1. The Council agreed the 2016/17 Medium Term Resource Strategy (MTRS) and the specific Revenue and Capital Budgets for 2016/17 at its meeting on 25 February 2016. At the same meeting, the Council considered the Section 151 Officer's statement on the Robustness of the 2016/17 Budget Estimates and the Adequacy of Reserves and Balances.

1.2. This report provides Members with a summarised overview of the forecast outturn position on the Councils' Revenue and Capital Budgets for the 2016/17 financial year, based on Quarter 2 projections. It highlights any service impact resulting from projected spending levels. This is the second detailed budget monitoring report to be formally considered by the Cabinet in 2016/17, therefore explanations of variances relate to the three-month period of the financial year (1 July to 30 September 2016).

1.3. The aim is to keep a tight control on spending on services within a flexible budget management framework, allowing budget holders to manage savings within controllable budgets to help mitigate budget pressures and thus contain or minimise a budget deficit for the Council as a whole.

## 2. OPTIONS CONSIDERED AND REASONS FOR REJECTING THEM

2.1. No formal options appraisal is applicable to this report.

## 3. CONSULTATIONS

3.1. The individual service content within this report has been considered by Corporate Finance and the Corporate Management Team prior to submission with ongoing briefings of Portfolio Holders.

## 4. REVENUE BUDGET MONITORING SUMMARY

4.1. Revenue Budget Position Statement:

	Current Budget £'000	Projected Outturn £'000	Budget Variance £'000
Corporate Services	1,955	1,804	-151
Law & Governance	903	870	-33
Neighbourhood Services	3,850	3,720	-130
Community Health Services	1,408	1,359	-49
Planning & Growth Services	1,533	1,537	4
Housing Services	2,026	2,029	3
5 Council Contract	2,684	2,676	-8
Strategic Leadership Team	1,121	1,100	-21
Shape Housing Limited	0	0	0
<b>Cost of Group Services</b>	<b>15,480</b>	<b>15,093</b>	<b>-387</b>
Non Service Costs	-16,170	-16,796	-626
<b>Gross (Under) / Overspend</b>	<b>-690</b>	<b>-1,703</b>	<b>-1,013</b>
Planned Budget Variance	690	690	0
<b>Proposed Outturn Variance</b>	<b>0</b>	<b>-1013</b>	<b>-1013</b>

4.2. The table above shows a representation of the forecast year-end position which excludes the planned budget variance of £690k that relates to New Homes Bonus funding reserve, there is a Net Budget Variance of £1,013k. A detailed breakdown of the figures by service is included as **Appendix 1a** with a breakdown of all variations over £10k as **Appendix 1b**.

- 4.3.** The notable variance is the level of income achieved from Car Parking. As previously reported, buoyant economic activity continues to provide additional income above the budget forecast. Should this continue, Cabinet should consider moving this to Contingency in Quarter 3. There is also a significant savings across the services from vacancy savings, in which recruitment was delayed in light of the recent management restructure, recruitment for these roles are now underway.
- 4.4.** Additional Funding was received from DCLG after budget setting for the sum of £200k. NNDR pool figures have increased in quarter 2 by £200k, along with £220k Renewable energy funding for 2015/16 has now been recognised, this was not included in budget setting. It is proposed that this additional funding is earmarked for future use.
- 4.5.** The main pressure within the budget relates to the increased cost in the Council's insurance premium this year. This increase is a result of the rise in Mendip salaries bill as a result the staff Tupted from the other authorities. In addition Professional Indemnity insurance was added to Mendip's cover for Legal Shared Services.

## **5. QUARTER 2 VIREMENT SUMMARY**

- 5.1.** In Year Budget Virements are detailed in **Appendix 2**. As outlined within the quarter 1 report, these mainly reflect the changes in the management restructure.

## **6. RESERVES**

### **General Balances**

- 6.1.** If the forecast budget variance of £1,013k is realised, the unallocated general balances of the Council will not be required. Instead, this sum will bolster Reserves with £397k (if approved) going into earmark reserves along with the planned transfer of £690k New Homes Bonus funding and the remaining £616k adding to General Reserves.
- 6.2.** This excellent budget management shows the Council's budget to be on track and consequently General Reserves will at least remain at the previous balances. Therefore they are likely to remain higher than the minimum balance of £1.5m as stated in the Medium Term Resource Strategy for 2016/17.
- 6.3.** However, the Council (in common with other public bodies) continues to face a difficult financial climate and has held its position following the CSR announcements which detailed the future reductions in grant allocations from central government, it is prudent to retain robust balances to smooth the potential effect to the tax payer of further cuts.
- 6.4.** The £5.676m Earmarked Reserves reported in the outturn report has reduced to £3.863m after planned draw downs. However, as stated above will increase if the earmarked request is approved. This will further support the forward planning of the organisation and help to deliver our corporate priorities during

the short to medium term whilst mitigating the effect of any future cuts in central government funding.

## **7. CAPITAL PROGRAMME**

**7.1.** Attached at **Appendix 3** is a table showing the forecast Capital Expenditure for the 2016/17 financial year. The forecast budget variance against the Capital Investment Programme is £-269k. This is due to identification of alternative sources of funding being identified in relation to the planned ICT refresh and the Cemetery works that span across the MTRS period. The only slippage within the programme relates to a delay in purchasing the Environmental Health - eNgage software.

## **8. DELIVERY OF THE 2016/17 MTRS PROPOSALS**

**8.1.** As part of the 2016/17 budget setting process, the Council approved £1.592m of budget reductions. This section shows an update on the progress towards the delivery of those proposals. **Appendix 4** gives an overview of the progress with a RAG status showing the level of risk around the value of the savings.

**8.2.** As all savings have been taken from service budgets at the commencement of the financial year, the real risk is that the services areas cannot make the full saving allotted and will therefore overspend.

**8.3.** 100% of the agreed savings are classified as having a green status, which means Group Managers are confident that they will achieve these savings with at least the same financial impact as predicted, if not more. Therefore, all of the £1.592m is expected to be delivered.

## **9. SUNDRY DEBTORS – AGED DEBT ANALYSIS**

**9.1.** Services' total outstanding debt relating to external income on the Accounts Receivable system stood at £502,307 on 3 October 2016. This is a small reduction from the position at 30 June 2016 (£5k) but is less than half the value outstanding a year ago. The debt has increased from the previous month for the first time this year due to a considerable amount of income being invoiced during the period.

**9.2.** Considerable effort continues to ensure all outstanding debts are chased and collected, especially those for strategic partners who owe over £310k of this debt, of which 97% relates to 2016/17 income. We are confident that the level of aged debt which could be seen as "at risk" is less than £200k. To illustrate the level of individual debtor risk, within the remaining £200k of debts "at risk", there are 15 debts outstanding with a value of £2k or more. Approximately 50% of those are 2016/17 related.

**9.3.** Appendix 5a shows the improved position achieved since September last year, and Appendix 5b provides the breakdown of the debt by service. This highlights that the older debt is mainly within housing options, which is being reviewed in detail. Once cleansed the debt should not build up again following a change in policy to run this scheme through Mendip Community Credit Union meaning

payments are no longer made to the individuals, therefore recovery rates are much higher.

## 10. COUNCIL TAX AND NON-DOMESTIC RATE COLLECTION

**10.1.** The table below shows the level of Council Tax and National Non-Domestic Rates (NNDR) collected by the Authority as at 30 September 2016 and the comparable performance for Quarter 2 of 2015/16.

	<u>Council Tax</u>			<u>Business Rates</u>		
	<u>2016/17</u>	<u>2015/16</u>	<u>Trend</u>	<u>2016/17</u>	<u>2015/16</u>	<u>Trend</u>
Collectable Debit	£62.811m	£58.971m	↑	£35.332m	£34.124m	↑
Collected	£36.682m	£34.504m	↑	£20.767m	£19.764m	↑
Percentage	58.40%	58.51%	↓	58.78%	57.92%	↑

**10.2.** The table above shows that the percentage and value of Business Rate income, both due and collected, have increased from this time last year. The amount of Council Tax income has increased year-on-year but the percentage collected is slightly lower; this is thought to be due to an increasing number of taxpayers spreading their payments over 12 months instead of 10.

**10.3.** The significant issue surrounding business rates is the risk arising from appeals, over which we have little control. A successful appeal reduces the amount due and also involves backdating refunds. This leads to significant variances from the initial forecasts resulting in collection deficits.

**10.4.** Details of the 2017 revaluation are becoming available and the interpretation of how this will affect the Council is being analysed. A briefing will be provided once more clarification is available, but currently is still subject to how the government will implement the change – which is currently out to consultation.

## 11. TREASURY MANAGEMENT

**11.1.** All funds have been managed in accordance with the Council's approved treasury management policy.

Investments / Lending Summary as at:			31st September 2016			
Borrower	Amount Invested	Limit	Length of deposit	Within Limit Y/N	Terms	Rate %
UK Government Gilt	£1,610,000	£5,000,000	N/A	Y	Call	1.25%
Lloyds	£2,000,000	£5,000,000	6 months	Y	Fixed	0.80%
Lloyds	£2,000,000		6 months	Y	Fixed	0.65%
Lloyds	£1,000,000		9 months	Y	Fixed	0.90%
United Overseas Bank	£3,000,000	£5,000,000	6 months	Y	Fixed	0.66%
Barclays	£1,000,000	£5,000,000	4 months	Y	Fixed	0.43%
Barclays	£2,000,000		7 months	Y	Fixed	0.71%
Bank of Scotland	£3,000,000	£5,000,000	4 months	Y	Fixed	0.65%
Bank of Scotland	£94	£5,000,000	NA	Y	Call	0.15%
Bank of New York Mellon	£2,300,998	£5,000,000	NA	Y	1 day not.	0.80%
Santander	£9,129	£5,000,000	N/A	Y	Call	0.15%
Santander	£1,200,000		N/A	Y	95 day not.	0.65%
Natwest	£1,225,654	£5,000,000	N/A	Y	Call	0.25%
<b>Total</b>	<b>£20,345,875</b>					

11.2. SLT are currently exploring options for better returns by investing into a variety of activities.

## 12. LEGAL IMPLICATIONS

12.1. None

## 13. EQUALITIES IMPLICATIONS

13.1. None

## 14. RECOMMENDATION

14.1. Cabinet is recommended to note the contents of this report, specifically:

- a) The projected Revenue outturn position for 2016/17 (Section 4 + Appendices 1a and b)
- b) In-Year Virement Summary (Section 5 + Appendix 2)
- c) The projected levels of Reserves (Section 6)
- d) The projected Capital outturn position for 2016/17 (Section 7 + Appendix 3)
- e) Delivery of the 2016/17 MTRS Savings proposals (Section 8 + Appendix 4)
- f) The Aged Debt Analysis (Section 9 + Appendix 5a & 5b)
- g) The Council Tax and National Non-Domestic Rate Collection Summary (Section 10).
- h) Summary Treasury Management position (Section 11).

- 14.2.** Cabinet is recommended to vire the following under spends to supplement the contingency budget:
- £9,500 Legal services Civica provision no longer required
  - £85,290 Microsoft licences now being paid from Capita investment pot.

## **15. REASONS FOR RECOMMENDATIONS**

- 15.1.** To maintain effective financial stewardship and budgetary control and to comply with the agreed strategy of regularly informing members of the forecast outturn position relating to the 2016/17 financial year as part of the annual budget monitoring process.

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### **List of background Papers (available upon request):**

- **MTRS Report**
- **Qtr 1 Budget Monitoring Update**
- **Agresso FMS reports**